NAGMR holds 40th convention — page 8

Consumables a bedrock business — page 19

Pharmacists hit the picket lines — page 27

DRUG STORE NEWS®

Vol. 10/No. 22 **Our 60th year of serving chains, wholesalers and high-volume independents** Published by Lebhar-Friedman Inc. Nov. 7, 1988

High-volume drug chains rely on newspapers

(Chains that account for percentages of total industry volume stated below use listed ad media)

Newspapers	**93%**
T.V.	**54**
Radio	**52**
In-store fliers	**44**
Direct mail	**27**
Neighborhood news letter	**9**

Source: Nielsen Marketing Research, August 1988.

There's more to direct mail than mere numbers

See the first exclusive *Drug Store News* survey on direct mail and targeted marketing efforts, starting on **p. 19.** The above chart tells part of the story, but not how chains evaluate media for their advertising and promotion programs. For more answers, see inside.

Revco sells Odd Lot, to scan in 60 stores

By James Frederick

TWINSBURG, Ohio — Putting one of its biggest headaches behind it, Revco D.S. has reached an agreement to sell its Odd Lot Trading subsidiary to Riklis Family Corp. for approximately $37.1 million. Odd Lot has been a consistent drag on Revco's earnings, and unprofitable since its acquisition in 1984.

A contract to sell Elizabeth, N. J.-based Odd Lot was signed in mid-October, ending Revco's troubled association with the 103-store chain of closeout merchandise outlets. Officers of Revco and Odd Lot will seek U.S. Bankruptcy Court approval for the transaction Nov. 8, according to spokesperson Kathy Obert.

"Odd Lot has experienced substantial monthly negative cash flow and has lost money

See **Odd,** *page 29*

Riklis Family Corp. at a glance

Business: **holding company**
Headquarters: **New York City**
Chief executive: **Meshulam Riklis,** 64
Ownership: **private**
Holdings: **McCrory Stores** (a chain of 1,300 discount variety stores), **Samsonite, Elizabeth Arden, Fabergé, McGregor, Botany 500, Culligan, Martha White Foods**

As FoxMeyer restructures, two more top execs resign

By David Vaczek

DALLAS — Two more top officers have resigned at FoxMeyer Corp., where parent National Intergroup (NI) is restructuring to emphasize the drug business.

Robert Kutzendorf, vice chairman, and John Walz, executive vp-corporate affairs, resigned as of Nov. 1. Their duties are being assigned to others, NI spokesman Ed Klein told *Drug Store News.*

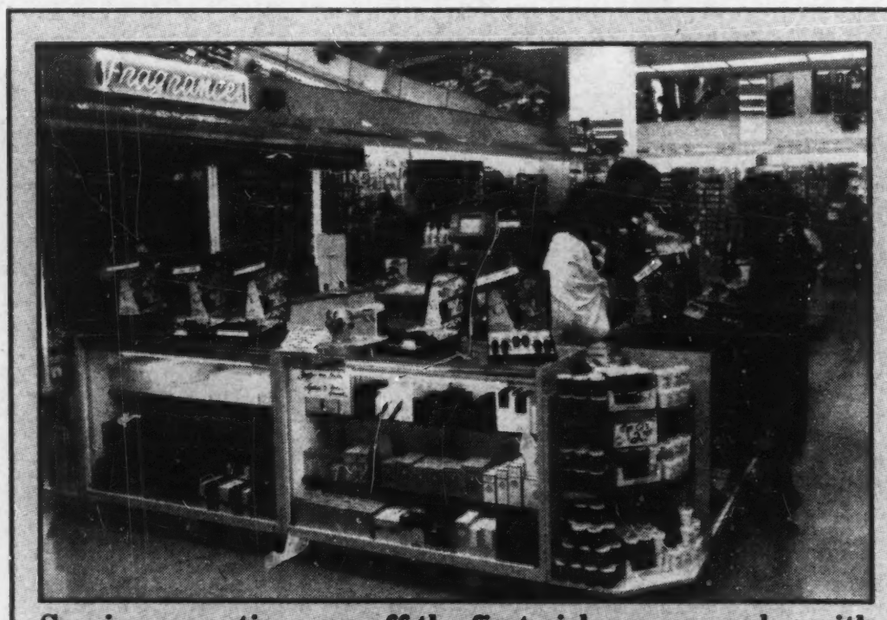
The officers' departures follow the August resignation of former chairman Bill Tauscher. Tauscher was replaced as chairman by NI officer Lawrence Farley, who is charged with boosting FoxMeyer's profits, and putting the money-losing Ben Franklin variety merchandise division on track.

Analysts expect NI's Farley to demand fast results from Ben Franklin so FoxMeyer can contribute to a needed earnings boost.

Kutzendorf and Walz had both reported to Farley, whom industry observers and analysts expect to demand fast results from Ben Franklin so FoxMeyer can contribute to a needed earnings boost at NI.

Meanwhile, NI said it ex-

See **Pair,** *page 29*



Service cosmetics area off the first aisle conveys value with name brands and free product offers.

Genovese bows new format:

GREAT AMERICAN DRUG STORES

. . . as deep discounting with a twist hits ritzy Long Island

By Al Heller

CARLE PLACE, N. Y. — Deep discounting with a twist has arrived in Long Island, home to some of the nation's richest zip codes.

Genovese Drug Stores' initial venture in this format, Great American Drug Store, bowed here Oct. 26 in a new strip center that faces the giant Roosevelt Field mall, and is wihin minutes of Rockbottom and Pathmark drug stores, both low-price operators.

Several differences set Great American apart: an upscale appearance with neon signs, wide aisles and considerable in-store service; a heavy reliance on pharmacy driven by extremely sharp prescription prices, and a mix that includes such items as Perugina chocolates, $69 telephones and a large professional hair care section in the first aisle, facing cosmetics.

Great American's image is meant to appeal to the 70,000 people who work within a half-mile of the store, as well as

See **Great American,** *page 29*

LATE NEWS

• NEW YORK — Leroy Pharmacies, a chain of nine drug stores in Manhattan and the Bronx, is seeking to raise $3.5 million in a public stock offering to add two new stores, expand home medical equipment operations and relocate warehouse and office facilities, according to a preliminary prospectus. Underwriter is Whale Securities.

• TWINSBURG, Ohio — Revco D.S. has launched a three-year project to install a state-of-the-art online pharmacy computer system chainwide, linking all pharmacies with one another and the corporate office. The system, called Prescription Access Link (PAL), will replace Revco's current standalone Rx computers.

• LOS ANGELES — Thrifty Corp. parent company Pacific Enterprises said it could not account for a recent plunge in its stock price, other than reaction to lower-than-expected quarterly earnings and reduced prospects in 1989 due to depressed oil prices. The firm predicted that cash flow would remain strong next year.

In Haight-Ashbury, Thrifty learns it's Art Deco or arson

By Pamela Krein

SAN FRANCISCO — Thrifty Drug Stores has decided against opening a store in the artsy Haight-Ashbury neighborhood here after facing fierce community opposition.

The chain recently saw its store under construction in San Francisco's Haight-Ashbury district go up in smoke at the hand of an arsonist. The fire caused an estimated $1.5 million in damage to the Thrifty site, and also destroyed 10 nearby structures valued at $1.9 million, according to the San Francisco Arson Task Force.

The reason? Although unproven, local speculation is that the store was torched because the community wants to retain its character. Most of the area's buildings are Victorian, Edwardian or Art Deco in design. The community gained notoriety and flavor in the sixties as a hippy hangout.

Richard Eils, Thrifty's president, cited "se-

See **Thrifty,** *page 29*

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NEWS IN BRIEF

Victor, Thrifty founder, dead at 80

SPRINGFIELD, Ill. — Benjamin Victor, the founder and former chairman of the Thrifty Drug Co. of Illinois, died at his home last month. He was 80.

He is survived by his wife, Devera, and son Joseph.

Victor, a pharmacist, founded the business with his first store here in 1935. He and two brothers, Morris and Lewis (both also deceased), built the chain to 17 drug stores. They also owned and operated 54 leased H&BA departments in the former Shoppers' Fair discount stores. The H&BA departments were phased out as Shoppers Fair closed stores when it filed for Chapter 11 bankruptcy in 1974.

Benjamin Victor's son Joseph, now a self-employed businessman in Springfield, started working at his father's chain full time in 1959, and eventually became president.

The Victors left the drug store business in 1982, when they sold 14 drug stores to SupeRx Corp., then a wholly-owned subsidiary of Kroger Co. Thirteen of those stores, all but three in Springfield, are now owned by Hook-SupeRx, Inc.

The stores were in the traditional mold, averaging 7,500 to 8,000 square feet, with a full-line front end. Many also had liquor departments.

Victor was on the board of directors of St. John's Hospital, Springfield, the advisory board of the Springfield College in Illinois, and on the national board of the American Jewish Committee.

Former Haag president Moxley dead at 75

PARIS, France — Sam B. Moxley, former president of the Haag Drug Company, Inc., Indianapolis, Ind., died here recently. He was 75.

Moxley owned Haag for 22 years until he sold it in 1972 to a Haag management group in one of the first leveraged buyouts. By then, it had 35 stores, said Bill Eagleson, who was vp-marketing at Haag, and became a top officer in the buyout company.

Eagleson, now executive vp at Peoples, and chief operations officer of its Bud's deep discount stores, recalled that Moxley wanted to sell Haag to retire from the business. He went on to found an investment brokerage house, Unified Management, in Indianapolis.

"He was always very active in philanthropy, and in the community, and was a wonderful person," said Eagleson.

From 1946 to 1950, Moxley was a part owner of Conquistador, S.A., a silver factory in Mexico City.

A Navy commander in World War II, and a member of Naval Intelligence in Chicago, Moxley was an honorary member of the NACDS board of directors, and served as an active member on the board from 1963 to 1972. He was a 1934 graduate of the Indianapolis College of Pharmacy.

He is survived by his wife Lucina Ball Moxley, one sister, two daughters, and four grandchildren.

Haag grew to be an 83-store chain, and Peoples Drug purchased it in 1980.

Warning labels seen for tobacco items

LOS ANGELES — Drug stores across the country will soon see cancer warning labels on 25 cigar and pipe tobacco manufacturers' products.

The warnings will appear in several months, and although designed to comply with a lawsuit settlement in California, will inevitably appear on manufacturers' products across the nation.

California's attorney general had sued the manufacturers, seven grocery retailers and Thrifty for not properly warning consumers when they were exposed to toxic substances.

The attorney general's office is currently negotiating settlements with the retailers named in the lawsuit. Since the suit was filed, two of the grocery retailers—Vons and Safeway—have pulled non-labeled tobacco products until the items contain warnings. Other retailers—including Thrifty—have instead opted for warning signs in the tobacco area.

The warning is required under a state proposition passed by voters in 1986 and the suit represents the first enforcement of the law.

Industry dodges bullets as Congress adjourns for year

WASHINGTON — The drug store industry dodged a series of costly legislative bullets as Congress adjourned for the year without raising the national minimum wage or passing a series of other bills backed by organized labor.

Among the measures left on the Congressional cutting floor as the House and Senate adjourned for the home stretch of the '88 election campaign: Controversial "parental leave" legislation that would have created personnel nightmares for drug store managers; a costly "mandated health benefits" bill requiring employer-paid health insurance for workers; and a cumbersome occupational disease notification plan that could have triggered new liability problems for drug retailers.

The past legislative session wasn't an unconditional victory for the drug store industry, however. Congress failed to act on Rep. Ron Wyden's (D-Ore.) proposal to restrict physician dispensing—a top legislative priority for the National Association of Retail Druggists—and did approve a controversial new "plant closing" law requiring drug chains and other employers with 100 or more workers to give employees at least 60 days advance notice of store closings, relocations or mass layoffs.

Additionally, legislation restricting employee polygraph testing by drug chains and other private sector businesses was enacted into law despite heavy industry lobbying. Significantly, though, Congress took much of the sting out of that law for drug stores by approving provisions to allow pre-employment lie detector testing of individuals seeking jobs with access to controlled substances, and to permit "incident-specific" polygraph exams of other employees suspected of theft.

The most noteworthy development for drug stores, however, was Congress' failure to enact a new minimum wage law.

The current $3.35 per hour national pay floor has remained unchanged for eight years, and with the Democrats back in control of both house of Congress it was widely assumed that some sort of increase in the minimum wage was certain to be enacted this year.

Another item on organized labor's legislative adgenda that failed to pass Congress this year—a proposal requiring employers to offer workers company-paid health insurance—would have created an even greater cost burden for the industry.

This "mandated health benefits" bill called for all businesses with 100 or more workers to provide a basic, Federally-approved package of health benefits to all employees working 17½ hours per week or more.

The cost of this plan to affected employers has been estimated at as little as $800 per worker annually, to as much as $3,000 a year per employee.

Still another union-backed bill that came up short in Congress this session is the Occupational Disease Notification Law. That bill would have created a new government panel to identify workers who may be exposed to hazardous chemicals on the job. In addition, the panel would notify workers of the risk they face, and hold employers financially responsible for the "medical monitoring" and treatment of these individuals.

Foundation sets moonlight fete

Gathered at a kickoff meeting for the Skin Cancer Foundation's Moonlight Celebration benefit are, from left, co-chairman Eli Cohen of Duane Reade, general chairman Howard Diener of Peoples and Foundation president Perry Robins, M.D. The dinner dance will be held Nov. 15 at the Waldorf. Entertainment will be provided by Dick Cavett, the evening's celebrity host, comedian Pat Cooper and Peter Duchin's Orchestra.

Sixty years of drug store retailing

Peoples opened its first drug store in 1905 in Washington D.C. on the corner of 7th and K Streets N.W. Lunch counters and soda fountains, where "the best of everything" was served, were found in every drug store. After patrons had a ham sandwich for 10 cents and an ice cream soda for 10 cents, they could weigh themselves at the penny scale located directly adjacent to the fountain.

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Database marketing sparks direct mail interest

Is it cost-effective to build a preferred customer list?

By David Vaczek

New interest in database marketing, or promoting from customer lists, has caused drug chains to rethink uses of direct mail.

Advertising directors confront a basic question: Is it cost-effective to build a roster of preferred customers to target with mailed ads? Will the spike in sales offset the cost of compiling and maintaining a list?

Similarly, does it pay to use the resources of a sales promotion agency which has demographic target-marketing capability? Third party companies such as Advo Systems are typically used for geographic targeting by zip code, or postal carrier route, to supplement newspaper coverage.

The unprecedented level of customer and sales information logged by pharmacy and front-end computers has steered ad directors to think in this direction. Many told *Drug Store News* they are excited about the prospect of such "rifle shot" marketing in the mass merchant sector.

"We're getting more and more into the possibility of reducing newspaper circulation, and spending more on target marketed mailings," says a Pay Less NW executive.

"You spend more going to less people; but hopefully you'll have a more effective return," he said.

Pay Less plans to compile a preferred customer list for 30 Seattle market stores in a test planned for the fourth quarter. To compile the list, the stores will run a contest in which people will fill out a form with their names and addresses.

"It's a customer who has shopped in our store, and who we know is interested in buying in our store," he said.

'We're getting more and more into the possibility of reducing newspaper circulation, and spending more on target marketed mailings.'

Up to now, Revco, for example, has confined demographic targeting to mailings to expectant mothers and new residents, using lists bought from outside sources. Sometime after the first quarter, 1989, the chain will launch mailings off a list compiled from its pharmacy computers. Possible chainwide mailings could reach 20 million people, says Bob Newmark, Revco's vp-marketing services.

"We hope to be able to use outside services to add demographic information to the database, run our list against theirs," says Newmark. "We will be more specific in reaching our customer."

Eckerd's planned joint promotion with direct mailer ActDirect next year could expand into target marketing by demographics. ActDirect will profile redeemers of a zip code-targeted first mailing to offer a refined target base for any future mailings.

At issue is whether drug chains need to know who their customers are, and whether it is cost-justified to build "lifetime value," by creating a special relationship with repeat customers. Drug chains know the products they sell are used universally; that is not the case at department stores and specialty retailers.

Large chains favor the "shotgun" distribution of newspapers, using direct mail most often to refine geographic coverage.

"You get a little better response per customer reached [from direct mail], but the cost is much too high if you're in a

See **Target,** *page 22*

Methodology of the study

Drug Store News sent the nation's 100 largest drug chains sales a questionnaire on how they use direct mail and other promotional methods.

Questions centered on the impact and efficiency of direct mail for delivering promotions, compared with delivery by newspaper. Chains were asked about their spending trends on promotions. They were asked about efforts to coordinate store promotions with vendors' coupon promotions through newspapers and direct mail.

Twenty-six chains—including five of the top seven—returned completed questionnaires. Respondents ranged in size from five stores to 2,000.

The participating chains represent 7,250 stores, or 33 percent of all chain drug stores.

When reading the charts, note that not all of the figures add up to 100 percent because respondents didn't always answer every question.

Direct mail usage gains ground

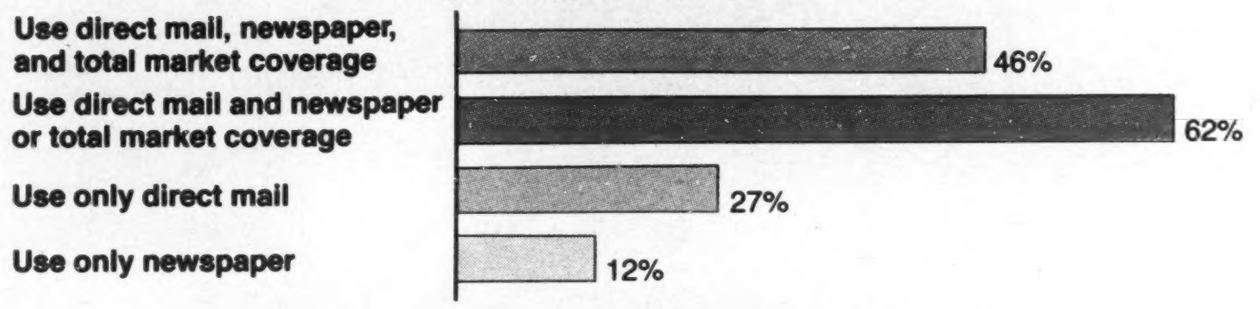
Direct mail is one of the fastest growing ad channels, a study by McCann-Erickson shows. Direct mail spending by U.S. advertisers was $19.1 billion in 1987, 11.5-percent higher than 1986.

The report shows 9 percent growth for newspaper advertising, to $29.4 billion in 1987.

Drug stores spent $420.8 million on newspaper advertising in 1987, 4.5 percent more than in 1986, according to the Newspaper Advertising Bureau.

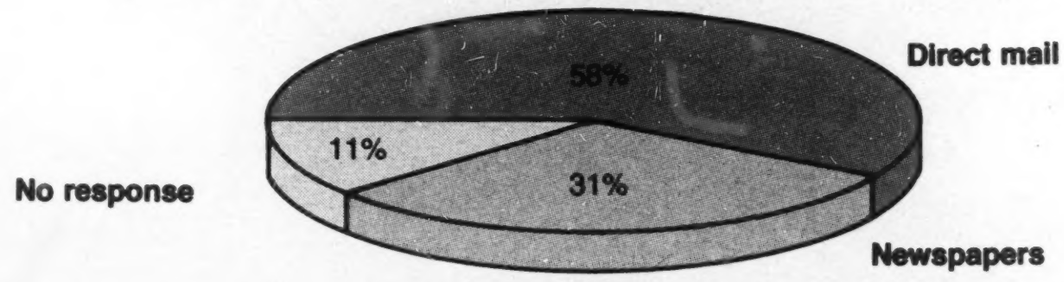
Chains favor multi-pronged attack for circular distribution*

(Percentage of respondents)



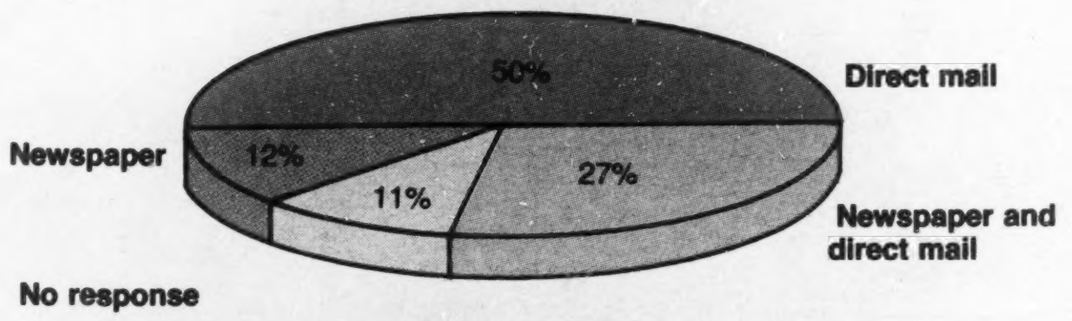
Direct mail elicits best response for circulars

(Percentage of respondents who said the method was the most effective)



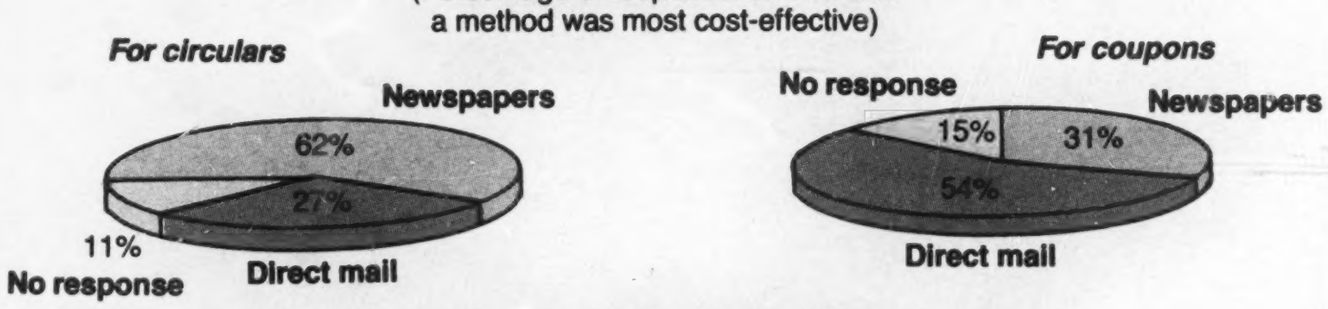
Direct mail most favored for coupon delivery

(Percentage of chain respondents)



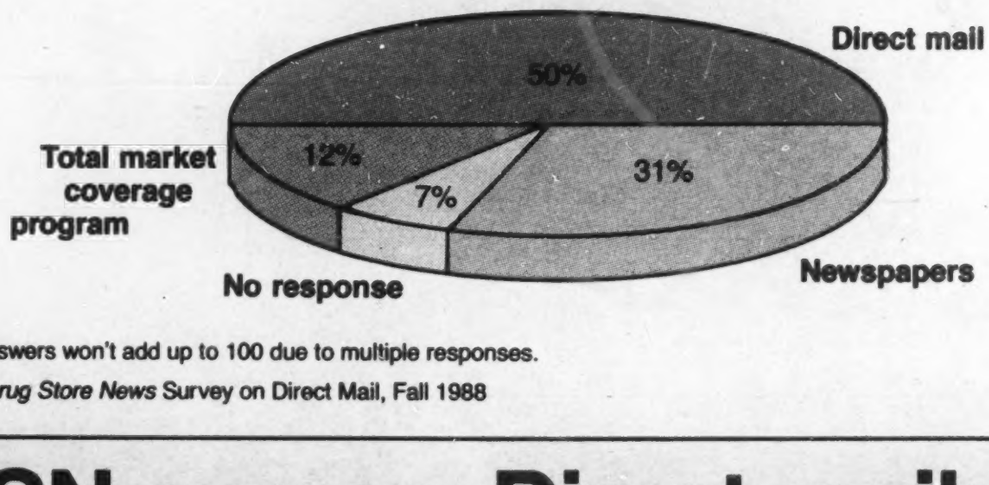
Newspapers provide most clout per dollar for circular delivery, but not for coupons

(Percentage of respondents who said a method was most cost-effective)



On which have you hiked spending the most in the past two years?

(Percentage of chain respondents)



*Some answers won't add up to 100 due to multiple responses.

Source: *Drug Store News* Survey on Direct Mail, Fall 1988

DrSN survey: Direct mail gives zip to drug chain promotions

NEW YORK — Direct mail is like a car's turbo-charger for most drug chains: It adds thrust.

But it won't often match the piston-power performance of newspaper-delivered promotions, *Drug Store News's* first survey on direct mail and promotions shows.

Newspapers provide the biggest bang for the buck for chains with the market dominance that makes buying a newspaper's circulation worthwhile.

Chains large and small, though, are souping up promotion delivery with direct mail. Mail is attracting more of chains' budgeted advertising dollars. Its ability to zone promotions geographically, and generate a high response rate, is a plus, the survey shows.

Newspapers' total market coverage (TMC) programs pay off. They've been competitive with direct mail companies such as Advo Systems, by reaching beyond their traditional audience of subscribers. Their delivery progams, using mail or carrier, offer the same deep market penetration, and the ability to flexibly target geographic zones. These nonsubscriber plans have helped newspapers retain most of chains' print advertising business, according to the survey.

Significantly, most of the 26 drug chain respondents reported using a combination of methods. That approach shows the willingness of chains to experiment, and also reflects a highly-competitive

See **Survey,** *page 22*

Vendors, retailers explore synergies offered by direct mail marketing

NEW YORK — Direct mail is providing an arena for retailers to team up with vendors in product marketing.

Vendors want closer ties to market at the store level; retailers gain sales and traffic without sacrificing profits, with "tie-in" promotions.

"We're much much more conscious of the relationship. We know it works, we tell them it works, and we're now at a point where our buyers are more conscious of it," says Joe Pollard, Peoples Drugs' vp-advertising and promotion.

Drug Store News's Direct Mail Survey documents the strong tide of industry support for tie-ins.

Sixty-nine percent of respondents said they've worked more closely with vendors' coupon advertising in the past two years. Within that group, 83 percent said complementary advertising was used.

Fifty-six percent of the group used in-store displays of vendor-promoted products.

"We've started to realize the powerful impact that retailers are having on the marketing of product," says Dick Thomas, national retail relations manager with Donnelley Marketing.

Donnelley hopes to introduce soon a retailer tie-in with its Carol Wright program. It would provide "a secondary level of support" for vendors' coupons by driving customers into a particular store.

ActDirect, a division of ActMedia, is already testing the partnership concept. It is launching a joint program with Eckerd, with a zip code-targeted mailing into 1 million Florida homes in January. Though H&BA coupons will be redeemable at any retail outlet, consumers will be steered to Eckerd stores, which will feature fliers and tie-in price reductions.

Product Movers, the freestanding insert company, is set to launch its first direct-mailed promotion, in partnership with a direct mail house and an unnamed drug chain, says Kevin Tinto, national sales manager, retail sales.

Target marketing key to direct mail's promo appeal

Continued from page 19

dominant market position," says Joe Pollard, Peoples Drugs' vp-advertising and promotion.

Newspapers are "where our efforts are, and where our customer has become accustomed to look for a sale ad," agrees Ken Banks, Eckerd's vp-marketing communications, who favors newspapers as a "non-intrusive" medium.

Despite such commitment to newspapers, chains are experimenting:

- Medicare-Glaser wasn't impressed when the *Suburban Journals of Greater St. Louis* claimed in a study this year that ads delivered by its member newspapers are read about twice as often as direct-mailed ads.

An executive at the chain likes the sales obtained during the past two years through Advo Systems. The direct-mailer sends 500,000 of the chain's eight-page tabs every Wednesday around 37 stores.

He stopped using 13 local papers for the job two years ago.

"We weren't getting the sales we were looking for in our markets," the source added.

- Customers have found Bartell Drug's ads in the *Seattle Times* for 80 years. That's one reason ad manager Gary Trahan uses the *Times*. He uses the the *Times*' "Slice of the *Times*" TMC program.

"We like our customers to get either an ROP ad or an insert [in the paper] all the time," says Trahan.

"We can run a lot more TMC ads for the same costs as direct mail," says Trahan.

- It is expensive—$80 per 1,000—but doorhangers pay off for SupeRx Corp.'s tabloid deliveries in some Phoenix neighborhoods. SuperRx will distribute 10,000 to 30,000 bags 25 to 30 times a year, supplementing newspaper-delivered inserts, said ad director Wes Sagness.

Survey: Direct mail gives promotions zip

Continued from page 19

marketplace which encourages ad directors to try new things, industry sources told *Drug Store News*.

Sixty-two percent of respondents said they combine newspaper and direct mail.

Among respondents, only chains of fewer than 60 stores use direct mail exclusively. Twenty-seven percent fit this category.

Direct mail scored best as a response provoker, but newspapers look better on a cost basis.

Fifty-eight percent said direct mail sparks the best response for circulars. Thirty-one percent—including three of the nation's five largest chains—gain the best response from newspapers. On the basis of response per dollar, 62 percent named newspapers as most effective for circulars.

Yet on coupon delivery, 54 percent said direct mail is best per dollar invested.

That's tied to coupons' high redemptions when direct-mailed. Fifty-percent said mail provokes the highest coupon redemption rates. Almost half of those reported redemptions in the 11 percent to 13 percent range.

Asked on what methods they've increased spending the most in the past two years, 50 percent named mail.

Forty-two percent said they've increased newspaper spending the most.

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TRENDS

Consumable groceries become bedrock business for chains

As the drug store industry looks for ways to build traffic and increase the frequency of customer business, owners and managers have come to rely increasingly on consumable groceries.

Independents and chains routinely promote groceries as traffic builders, and almost every drug store has permanent everyday departments for such core grocery categories as candies, chips, cookies, nuts and other snacks, paper goods, household cleaners, soft drinks and other beverages.

Fully two-thirds of the nation's chain drug stores also have permanent everyday departments for pet foods and accessories, while one-third carry packaged and canned dry groceries everyday.

Nearly half of all chain stores also merchandise alcoholic beverages every day, either beer and wine only or beer and wine plus hard liquor.

The everyday departments are designed to yield incremental sales to the stores that harbor them. Unlike promotional groceries, which are advertised and featured at low margins to build traffic and create a good value image for the store, everyday groceries are stocked at margins averaging between 18 percent and 30 percent. Some items, like single can soft drinks, certain candies and snacks, yield margins in excess of 40 percent. The margins sometimes reach as high as 60 percent on what buyers refer to as "blind items," which aren't price sensitive.

This year, *Drug Store News*' sister publication, *Food Merchandising For Non-Food Retailers*, is projecting that grocery sales, excluding candies and snacks, will exceed $6 billion in the drug store industry, an increase of 9.4 percent over 1987.

FM is also estimating that packaged and dry groceries, packaged alcohol, soaps and other household cleaners, and pet foods now account for approximately 11 percent of all drug store retail sales.

Executives like Howard Diener, vp-marketing at Peoples, Charles Reinhart, director of merchandising at Harco, Bob Lyons, vp-northeastern operations at Drug Emporium, Pete Agostino, senior buyer-convenience foods at Eckerd, Jim Plate, grocery buyer at Perry, and Dave Coleman, director of convenience foods at Hook/SupeRx, all describe groceries as "opportunities" for their chain stores.

They all agree that groceries are an effective traffic-building category, and most also say that groceries, handled properly, make money for a drug store operator.

Grocery sales trends in drug stores

(Retail sales in millions of dollars)

Grocery segment	1982	1985	1986	1987	1988*
Packaged groceries (excluding snacks and candies)	$1,244	$1,708	$1,859	$2,004	$2,157
Packaged alcohol	1,186	1,627	1,761	1,901	2,056
Paper goods	492	861	981	1,167	1,345
Soaps/household cleaners	254	335	362	390	419
Pet foods	32	53	59	66	73
Total sales	3,298	4,584	5,022	5,528	6,050

*Projections

Source: Malcolm Knapp, Inc.; *Food Merchandising for Non-Food Retailers*

How drug chains highlight groceries

Grocery Segment	% of print advertising budget spent on segment	% of space given segment on an everyday basis
Candy/gum	3.7%	6.7%
Paper products	5.2	7.0
Household cleaners	3.3	5.7
Chips/snacks	4.4	5.1
Non-alcoholic beverages	5.7	5.4
Pet foods & accessories	1.9	4.1
Packaged and canned dry groceries	1.5	7.2
Beer/wine/ other alcoholic beverages	7.6	11.6

Source: Lebhar-Friedman Research

Candies and snacks

Candies and snacks are considered the "strongest" grocery categories, because they are considered "traditional categories" for drug stores.

Although these categories can be considered "mature" in the sense that they have been around a long time, they are still dynamic. Earlier this year, *Drug Store News* reported findings of its merchandisers' survey that identified candy as one of the industry's fastest growing categories.

Most chain drug buyers say this category is currently up about 20 percent this year in dollar sales, and shows no signs of slowing down. Buyers say the same for such snacks as nuts, chips, crackers, cookies, cakes and popcorn.

Paper and cleaning products

Two other categories have also been established in drug stores for many years: paper products (i.e., facial and toilet tissues) and cleaning products (i.e., laundry detergents, all purpose cleaners and dishwashing liquids).

Although buyers say their growth is not as dramatic as candy and snacks, they are stable categories that work especially well as traffic builders.

Most drug chain executives say they promote several cleaners and paper items at least once or twice a week. In the everyday department, they yield modest margins of 19 percent and 18 percent respectively, but they turn well, and buyers say they make respectable contributions to the bottom line.

Non-alcoholic beverages

Non-alcoholic beverages, which include soft drinks as well as bottled waters, juices, thirst quenchers, and juice and water carbonated drinks, are also a strong growth area for drug stores.

About 70 percent of all drug chains now carry this category everyday, and many chains that already have the department are expanding it.

In addition to expanding facings to include some of the now trendy beverages like Gatorade, bottled waters and juice drinks, many chains are also putting in coolers to capture impulse sales and high margins of single serve beverages.

Eckerd, SupeRx, Revco, CVS and Peoples, to name a few, have coolers. Buyers say they are delivering both incremental sales and new traffic as shoppers buy impulsively to satisfy an immediate thirst or as they expand their trips to the stores in order to pick up a pop or a snack for immediate consumption.

"These are all sales we weren't getting before," said a source for Eckerd, "It gives us incremental sales at a very good margin, plus it gives shoppers another reason to come here, and while they're in the store, we have a chance to sell them other things."

Soft drinks

The strongest segment of the beverage category is still soft drinks. Most buyers say their soft drink sales are up about 15 percent to 20 percent over last year. Coke and Pepsi are the most popular brands, and nearly every chain in the nation features them at least once a month as a traffic builder.

Most chains try to take a very competitive margin on their soft drinks as part of their strategy to maintain a good "price value image " for their customers, but buyers also say that soft drinks turn so fast they generate above-average sales and profits.

Because soft drinks are distributed direct to individual stores rather than through warehouses, they are relatively inexpensive for retailers to handle. Soft drink bottlers, rather than store clerks, stock and replenish the category, and this yields what several buyers described as "hidden savings."

Beer, wine and liquor

Beer, wine and liquor is a fairly well established category in chain drug stores. About 47 percent of all chain drug stores carry this category everyday, and it typically yields 24 percent margins and about 7.3 turns a year.

Most chains use this department as a traffic builder. Chains like Walgreens, Perry and K&B often run at least a full page ad on this category in their circulars and they are as competitive in these ads as they can possibly be.

However, this is a category that demands considerable expertise and a lot of patience since state regulations about the sale of alcohol can be very frustrating to management. This is probably the slowest-growing grocery category in drug stores, and chains report mixed results with alcohol.

Sources for some chains like Walgreens say the category is doing very well for them, both as a traffic builder and as a profit generator. However, sources for some of the smaller regional chains describe the category as stable, mature and a consistent performer, but not a growth department.

This year, most buyers say alcohol sales have been relatively flat or stable since nothing new has emerged to really spark the category, and the once-dramatic growth in wine cooler sales has started to

Continued on page 26

How groceries perform in chain drug stores

Grocery Segment	Margins	Turns
Candy/gum	26.7%	17.0
Paper Products (facial & toilet tissues, paper towels and so on)	17.6	15.7
Household cleaners	19.2	9.1
Chips/snacks	25.1	16.6
Non-alcoholic beverages	20.9	15.7
Pet foods & accessories	25.1	6.4
Packaged/canned dry groceries	22.0	7.1
Beer/wine/other alcoholic beverages	24.0	7.3

Source: Lebhar-Friedman Research

How chain drug stores merchandise groceries

Grocery Segment	% of stores carrying these lines
Candy/gum	93%
Household cleaners	93
Paper products	90
Chips/snacks	83
Non-alcoholic beverages	70
Pet foods & accessories	67
Beer/wine/ other alcoholic beverages	47
Packaged and canned dry groceries	37

Source: Lebhar-Friedman Research

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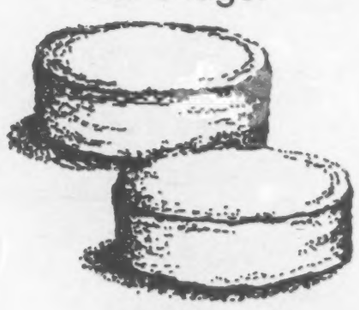

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TRENDS

Selected consumables introductions 1985-1988

	1985	1986	1987	1988 (est.)
Paper				
Facial tissue	9	12	9	5
Paper napkins	6	5	11	4
Paper towels	16	9	6	5
Toilet tissue	11	8	8	7
Total	42	34	34	21
Laundry				
Bleach/brighteners	8	3	8	12
Softeners/conditioners	11	8	13	11
Misc. laundry	17	3	9	2
General purpose detergents	19	33	25	21
Special purpose detergents	3	5	6	1
Total	58	52	61	47
Household cleaning				
General purpose	31	21	31	24
Special purpose	49	42	38	22
Floor care	2	5	3	2
Metal care	5	7	6	2
Toilet cleaners	10	6	14	10
Wood care	9	13	8	10
Total	106	94	100	70
Snacks				
Chips	82	95	92	102
Cookies	111	132	147	131
Crackers	41	54	41	58
Snack bars	17	37	22	22
Other snacks	98	110	125	108
Total	349	428	427	421
Soft drinks				
Mineral/bottled water	16	36	56	47
Misc. soft drinks	78	55	68	101
Total	94	91	124	148

Source: Marketing Intelligence Service

Consumable product trends are a study in stark contrasts

By Richard Lawrence

New products continue to flood drug store shelves at near record rates, a reflection of the fact that manufacturers' growth requirements can't be met by existing brands in today's mature markets.

But the pattern's not equal. It's actually a checkerboard of ups and downs that reveals consumers' changing priorities and where marketers see the opportunities.

For example, there are stark contrasts in new product trends since 1985 among some of the major categories of consumables. The number of new product introductions for paper products and household cleaners are down; laundry aids introductions are flat; snacks and soft drinks are up.

Fewer households than ever have full-time homemakers. Not only do people who work outside the home have less time for the household chores, many are not "house-proud" in the sense that their parents were. Added convenience and effectiveness have been principal forces behind new product development. Consumers find new products that do tasks that previously required two or more products.

Snacks and soft drinks have also been affected by changing lifestyles, but the result has been more, not fewer, new products. With more and more people eating on the go, the distinction between meals, light meals and snacks has blurred, and enlarged the opportunity for portable, single-serving finger foods which snack producers have rushed to market.

At the same time, concerns have grown about taking in too many empty calories, so new snacks and soft drinks have offered people less of what they think is bad, like sugar and caffeine, and more of what is good, such as fruit, fruit juice and fiber.

The detailed tables alongside show that individual product trends within the specified categories are in line with the averages. It's worth noting that if the actual numbers which are shown are adjusted to remove the effect of the steady increase in total new products over the five-year period, the contrasts are even greater. The decline in introductions of paper products and household cleaners is even sharper, laundry aids trend down rather than flat, and increases for snacks and soft drinks are steeper.

Richard Lawrence is president of Marketing Intelligence Service, Ltd., Naples, N. Y.

Consumables a bedrock business

Continued from page 25

level off.

Packaged groceries

The category with the most undeveloped opportunity for chain drug stores is packaged groceries, which run the gamut from baked beans, relishes and mustards, inevitably stocked and promoted during the spring and summer as traffic builders, to salad dressings, pickles, soups, canned meats and fish, canned and packaged convenience meals or side dishes, cereals, and other highly consumable items.

Most drug stores today promote some of these items as traffic builders. In addition, 37 percent of all chain drug stores stock an assortment of these products as "conveniences" for their customers.

Walgreens currently has 500 of what they describe as "mini-convenience food departments" similar to a 7-Eleven type of store, but merchandised by Walgreens as a core department within their drug stores.

Eckerd, SupeRx, Peoples, Perry, Harco and many other chains also have such departments but usually on a very selective market by market basis—for example, in areas where there is no competition from food stores or where the chain has a 24-hour store in a dense residential market or near a college campus.

Like household cleaners and paper products, it is considered a department that generates incremental sales while luring shoppers back into the store on a more frequent basis than could otherwise be expected.